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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Administration
Washington, D. C.

July 1942

HOW THE AGRICULTURAL MARKETING ADMINISTRATION
PURCHASES FOOD FOR WAR PURPOSES AND FOR PRICE SUPPORT

The purchase programs of the Agricultural Marketing Administration fall into two broad categories:

- (1) Procurement of food for the United Nations under Lend-Lease and for other war purposes.
- (2) Supplement and support of regular commercial distribution as a price support measure when farm income is threatened with unreasonable curtailment because of overabundant crops or a non-functioning of normal distribution machinery.

PROCUREMENT -- Currently the Agricultural Marketing Administration is purchasing about 300 farm products for shipment to the United Nations at a rate of 5 to 6 million dollars a day. Under territorial emergency programs the AMA has also purchased over a hundred thousand tons of agricultural products for shipment to Hawaii and to Puerto Rico and other Caribbean islands. They get rice, canned meat and flour and other products for their civilian population now stranded without normal trade communications with the rest of the world.

In addition, AMA buys some food for the Red Cross and for the Army and Navy. The buying is done in such a way as to maintain the widest competitive market consistent with doing the job.

Because of the tremendous volumes needed by the United Nations, it is impossible to buy in small quantities and fill requirements on time. Thus, except in special cases, Lend-Lease purchases are made from cooperatives, commercial processors and distributors. To buy and assemble small lots would be too inconvenient, too slow, and too costly. But in the case of Lend-Lease purchases as distinct from other purchases, while the individual farmer seldom

sells directly to the AMA, he benefits from the greatly expanded demand while selling through his regular market channels.

PRICE SUPPORT -- Meantime, AMA's domestic food programs -- the Stamp Plan, School Lunch, Penny Milk, direct distribution to public aid families -- mean an added market for millions of pounds of farm products a month. Though these programs are somewhat subordinated to strictly wartime programs right now, they are nevertheless important to the farmer as safety valves -- as a means of production support.

In this phase of its program, AMA does buy food directly from farmers, farmers' markets, and wholesalers for school lunches and direct distribution in many local areas which are faced with very acute distress-supply problems. Buying in these localities relieves the pressure of increased supplies (mainly fruits and vegetables) that often result in breakdowns in marketing or in severe price dislocations. Generally, for price support purposes, the buying is done in specific areas at announced minimum prices. In the North East and Mid-west, for example, AMA sets up an office in the area and keeps its buyers at the markets.

In certain Southern States, ordinarily deficit egg-producing areas, an over-supply of eggs developed last spring. The AMA, therefore, introduced a program whereby the eggs would be bought in lots as small as 10 cases from producers, cooperatives, and dealers by designated agents of the AMA at announced prices, though its Lend-Lease purchases are only in carlot quantities. Thus, the Southern producers were able to market the eggs that had been glutting their usual market channels.

For the Penny Milk program, AMA reimburses the school or sponsor group in an amount equal to the farmer's price for milk. In six large cities, milk is bought from dealers for relief clients.

AMA does not buy food for the Stamp Plan. The program is operated through regular retail food outlets -- grocery stores, meat markets and dairies.

BUYING PROCEDURE

Two general buying plans are used by the AMA; the most often used is the offer-and-acceptance plan, which is well adapted to large-scale buying. The other is the specified price plan. In each case the AMA activates the program by announcing purchase intentions. The announcements state the details of when and how the purchases are to be made, including period of receiving offers, minimum quantity that may be offered, quality specifications, type of packaging required, and in the case of specified price, the top price AMA will pay.

OFFER AND ACCEPTANCE -- Under this plan, the AMA's announcement of purchase intentions invites the trade to submit offers on designated products during the purchase period. The sellers reply to the Purchase Branch, AMA, by telegraph or letter with offers that state how much they can sell, the price asked, point of delivery, date of delivery, and other pertinent information. The offers that are accepted become contracts based on the terms set forth in the announcements and offers.

SPECIFIED PRICE -- Under the specified price plan, the AMA, in its announcements of purchase intentions, lists the top prices that will be paid for products of specified grades. Sellers make offers at or under these prices. If the seller has the quality and at least the minimum quantity proscribed, and is willing to sell at the announced prices, a contract results.

RESERVATION REQUESTS -- In some cases, to insure adequate quantities of certain food products for Lend-Lease, the armed forces, and for civilian consumers, the AMA issues reservation requests to the trade. In other cases (as with canned fish) a reservation order is issued by WPB which may allocate the product to AMA for purchasing Government requirements. In effect, these reservations

request the trade to set aside a certain percentage of their production to be purchased by the Government. Reservations have been asked of both pork packers and dried fruit packers in recent months and the WPB has allocated the entire 1942 canned fish pack to AMA.

SPECIFICATIONS -- Virtually all Lend-Lease products are bought on the basis of AMA specifications. Purchases are made on the basis of U. S. grades in all cases where official standards have been set up. This necessitates Federal or Federal-State inspection of all purchases to see that the products meet the quality standards outlined in the contract. The inspection, under AMA supervision, generally is made before delivery, at the seller's plant or warehouse.

TRANSPORTING TO SHIP SIDE -- The extensive job of transporting the tremendous quantities of food from the point of purchase to the seaboard is also the responsibility of the AMA. The AMA takes delivery of the purchase at the specified time and arranges for shipment directly to an ocean loading point or to a strategic warehouse to await shipping facilities. As fast as ships are available, the foods are loaded and started across.

BUYING OF PRODUCTS, BROKEN DOWN BY COMMODITY GROUPS -- While the picture is forever changing, and the methods of buying even the same product vary with the situation, a general procedure is followed in buying the various types of commodities. Following is a breakdown by commodity groups of the general procedure in buying for Lend-Lease:

Dairy Products: Most purchases of dairy products are made on the offer-and-acceptance basis. Dairy farmers, as such, are normally not in a position to make offers for Lend-Lease since only manufactured dairy products -- American cheese, skim and whole milk powder, and evaporated milk -- are shipped. These products can be rushed to the United Nations with minimum loss and in minimum

shipping space. There also is the necessity of buying only in large quantities -- the minimum quantities acceptable being a carload for evaporated milk, dry skim and dry whole milk, and 35,000 pounds for American cheese.

Cheese also is bought on the Wisconsin Cheese Exchange to keep exchange prices in line with general market prices and to maintain the exchange as a point at which prices may be determined.

Butter is purchased from the Dairy Products Marketing Association at cost plus carrying charges, and also on the offer-and-acceptance basis. The DPMA is a group of cooperatives which buys butter on the market to stabilize the prices.

Meat: Fresh and prepared meats are purchased from packers by the offer-and-acceptance method, but in view of the price ceilings, there is usually but a small difference between offers. The packers make offers and if the prices asked are in line with what the AMA is prepared to pay, a contract results.

Eggs and Poultry: Shell eggs, frozen eggs, dried eggs, and canned boned poultry are bought by the AMA in carlot quantities from cooperatives, processors, or distributors, largely on the offer-and-acceptance basis, but also in accordance with the specified price plan.

Fruits and Vegetables: Both offer-and-acceptance and specified price methods are used in buying these commodities. The purchase of fruits and vegetables for Lend-Lease operations is generally confined to commodities that are canned, dried, dehydrated, or otherwise processed so that their perishability is reduced. In the few instances where fresh fruits or vegetables are purchased for Lend-Lease, the commodities are turned over to processors to be prepared for shipping.

In the case of strawberries last spring, processors under contract with the AMA did the actual buying from the farmers, to whom they were required to pay the price stipulated by the AMA. The berries were then packed in barrels containing a preservative and sold by the processors to AMA.

To obtain an adequate pack of dried fruits in the Pacific Coast States and insure the availability of sufficient supplies for the armed forces, Lend-Lease, and civilian consumers, the AMA announced in June a price support program for growers and stated that packers will be asked to reserve a percentage of their production for Government use.

In purchasing dry edible beans this spring and summer, the AMA purchased directly from growers, cooperatives, or their agents. This special procedure was directed toward assisting farmers who had responded to the expansion program for dry beans called for by the Secretary of Agriculture and who were unable to dispose of their crop to canners as normally because of the shortage of tin for canning beans.

Support has been given growers and packers in nearly all cases. For instance, the Office of Price Administration and AMA jointly have announced a plan for price-regulation and price-support of certain canned vegetables. By supporting, at guaranteed prices, canned asparagus, lima beans, snap beans, beets, sweet corn, carrots, peas, spinach, pumpkin, squash, tomatoes, and tomato juice, the AMA assures an outlet, through canners, for crops that growers have already contracted to produce.

Special arrangements have to be worked out as conditions change from time to time to assure adequate supplies being available with fair returns to producers under the price ceilings. These are announced in press releases.

As quickly as the information can be assembled, the Marketing Reports Division issues reports of all purchases in order that farmers, trade people, and others can follow current operations and know what commodities are bought. In all, five reports are issued.

(1) Daily -- showing date purchased, commodity, quantity, FOB price, general area in which purchase was made, grade, and packaging. This report is made available to press and trade correspondents in Washington, and wired to about 45 AMA field offices. (Not mimeographed for general distribution.)

(2) Daily IPR Report -- more detailed than other daily report, showing vendor, FOB point, packaging, type, quantity and price. This report of day to day purchases supplements the others. It is mimeographed and released from the Marketing Reports Division. There is necessarily a delay of a few days between the date of acceptance of offers and the date when this report can be released.

(3) Weekly -- showing commodities and quantities purchased during one week. Mimeographed as an AMA report. Distribution limited to special requests.

(4) Monthly -- showing all purchases during a particular month, monthly FOB cost, cumulative quantity and cumulative FOB cost since March 15, 1941 -- the date the Lend-Lease Act was signed. Issued as a Department of Agriculture press release usually about the middle of each month.

(5) Monthly -- showing Lend-Lease deliveries to representatives of the United Nations, commodities and quantities. Issued as a Department of Agriculture press release. There is a lag of 30 days in the issuance of this report to comply with censorship regulations.

The Department of Agriculture's support of prices has been made to permit the farmer to continue to carry on production to meet the ever expanding

needs of our armed forces, the United Nations, and for people here at home.

To just what commodities do the price support programs apply and what are the price support features of each program? As a guide these press releases are listed. Any one or all of them may be obtained from the Office of Information, USDA.

No. of Press Release

Title

529-42

Text of USDA Price Support Announcement Made Public

DAIRY PRODUCTS:

151-43

USDA Adjusts Prices of Dairy Products To Maintain
Production at High Levels

Review of Changing War Demands on Lend-Lease Dairy
Products -- Memorandum from Office of the Secretary
to State & County War Board Members-June 3

Transmittal of Memoranda on Egg and Milk Prices
From Office of the Secretary to Members of State
and County USDA War Boards....April 13, 1942

FRUITS AND VEGETABLES:

1606-42

Minimum Fair Prices Announced for Canning Tomatoes
and Peas

1915-42

USDA Announces Price Support Program
For 1942 Crop Irish Potatoes

2478-42

OPA and USDA Jointly Announce Price-Regulation and
Support Program for Canned Vegetables

2624-42

Dried Fruit Purchase Program Announced for Pacific
Coast

2703-42

USDA Names Grower Prices for Four West Coast Dried
Fruits

25-43

Canners Requested to Offer Apricot Bids Under New Plan

34-43

Purchase Program Announced for Canned Red Sour Cherries

83-43

Department Names New Prices for Dried Apricots and Pears

No. of Press Release (Continued)

Title

EGGS:

1582-42	Spring Egg Price Support Plans Announced by USDA
1739-42	USDA Announces Purchase Program for Eggs on Chicago and New York Markets
1825-42	Announce Plan to Improve Farm Egg Markets in South
2767-42	Southern Egg Marketing Program to Continue Through August
1880-42	USDA to Continue Purchases of Eggs on New York, Chicago Exchanges
2039-42	Start Purchases Under Southern Egg Marketing Support Program
4-42	Transmittal of Memoranda on Egg and Milk Prices From Office of The Secretary to State & County USDA War Board Members—April 13, 1942

HOGS:

6-42	Statement on the Wartime Hog Production Goal, Why It Is Needed and How It Is Being Supported. June 10, 1942. Sent to all USDA War Board Members.
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